

Roundtable on the Responsible Recycling of Metals (RRRM) Non-Ferrous Working Group (NFWG) Meeting 4: Due Diligence Risk Mitigation and Assurance

Meeting agenda and objectives:

Nov 1st, 2023

1. Introduction and review of outcomes from last meeting/matters arising
2. Clarifying the gap between research and stakeholders' experience
3. Member updates: presentation on VDM report
4. Reminder of where we are in the process
5. Breakout objectives and framing
6. Breakout groups
7. Plenary debrief
8. Next steps

Outcomes and Decisions

- Due to the scope and lack of definitions of risk factors for secondary input materials in the OECD Due Diligence Guidance, as companies tend to follow this model, risks regarding metals for recycling are not acknowledged, resulting in red flags not being raised and no extended DD completed
- Other non-due diligence options / models were presented: Fairphone's mass balance 'responsible gold' credit system and the extended producer responsibility & extended responsible sourcing models available in IWA-19: 2017 - Guidance principles for the sustainable management of secondary metals.
- The Working Group was reminded that as we are now moving towards the end of the proposed WG schedule, the WG will be focusing on developing recommendations and contributing to the final route map document
- Kilian Schwaiger presented key takeaway points from the recently published VDM [report](#) on German and EU non-ferrous metals/scrap trade. The report is currently only available in German, and it will be translated to English, and shared with the WG members, when available.
- The report highlighted that there is a need for material flow specific risk-based approaches. Trade flows are critically impacted by import policies of each country/state they are going through. Statistics specific to a number of metals, including aluminum, copper, nickel, zinc and lead were presented. It was also noted that international ESG standards (Voluntary Sustainability Schemes – VSS) need to have better provision and guidance on scrap trade.
- The group discussed how the environmental burdens related to scrap metals started to shift from China to other southeast Asian countries and that more import regulations, which may impact on ESG management and performance are on the way both for China and other countries like Malaysia.
- Three breakout groups discussed scenarios focused on theft, assurance including using third-party audits, and addressing known health and human rights violations at an acquired site. Breakout groups reconvened to present their discussions.
- In discussion of actors in high-risk locations, consensus was reached that complete exclusion was not a good outcome. Leaving these actors out of the supply chain stops them from becoming legitimate businesses with improved business practices. It was indicated that larger companies should invest in and provide legal support for small scale actors so that they can support the "formalisation" of informal and subsistence actors.
- Regulatory and enforcement challenges were noted, which emphasized the importance of collaboration to avoid supply chain actors writing them off as "not their problem". In the case of theft, one potential solution discussed is improved product marking such as copper rods with codes to be tracked at each step of the supply chain (Instead of "design for recycling" this could be considered a "design for anti-theft").
- It was stated that use of voluntary sustainability standards with independent assurance could be crucial in improving ESG conditions including health and environmental impacts, unsafe working practices and use of child labor for the smelters' suppliers. Pierre stated that IRMA is in the process

of developing its 'Standard for Responsible Mineral Processing' which makes no distinction between primary and secondary inputs, and is based on a continuous improvement.

- Approaches involving incentives and disincentives “carrots and sticks” may be necessary (e.g. meeting specific ESG policies and performance requirements for preferential loan terms from banks/financers, as well as regulation and enforcement) to accelerate progress of ESG conditions on small scale recycling.
- Engagement with regulatory authorities, and government stakeholders is essential to drive change at national levels.
- To improve conditions along any step of the value chain, transparent reporting and stakeholder led assurance is important. It can be challenging to do with limited resources, but bringing in experiences of those impacted the most, into the assurance process helps to triangulate audit findings. Leading VSS's require local stakeholder engagement as part of third-party audit processes and is a recommendation.
- The importance of creating a Common Vision for success (drawing on the OECD guidelines) – built with local suppliers, workers and affected communities (which needs to be inclusive, approved by all parties, and that include measurable and realistic KPIs with proper Monitoring & Evaluation in place)
- 'Benefit-sharing model' offer greater local incentives and could include local suppliers and affected community members having shares and a seat on the Board, to build trust, support local economic development and ultimately help alleviate poverty and prevent child labor. The business/economic model itself is actually very important
- Different regional approaches to business were noted. For example in Asia, companies tend to focus on their relationship with their suppliers well before agreeing to conduct business with them. In the US the focus is more on the contractual agreements. These should be key differences to note in creating new standards or improving existing ones.
- As child labor cannot be solved overnight and require a myriad of actors to work together, voluntary sustainability standards and regulations should allow for flexibility and continuous improvement rather than strict pass/fail objectives for less severe human rights and sustainability issues. The report from [IPIIS and PAX released last](#) month stated that more than six years after the EU Conflict Minerals Regulation was signed into law, and almost three years after the requirements for EU importers started applying, their assessment showed that the Regulation has not achieved any notable impact along supply chains, let alone in producing countries. It recommended the EU actively intervenes in market dynamics to encourage ASM [small scale collector and processor] engagement rather than exclusion and that companies and smelters doing this should be recognized.
- Reliance on customers only to drive improvement is limited as customers tend to enquire about ESG performance rather than requiring it to be demonstrated. So need customer requests + enabling policy environment. This also means it is more difficult to monetise models similar to the Fairphone credit mass balance model, where even if you delivered higher levels of ESG performance at a smelter, you might not be able to command a price premium for it and would become less competitive.
- Trading platforms were also discussed as a potential leverage point. As they are interested in maintaining membership and liquidity they are unlikely to put higher standards in place and typically follow the market rather than lead it.

Attendees

1. Louise Assem, Global Material Stewardship Director, International Copper Association (ICA), (NFWG Co-lead)
2. Alvin Chao, Manager of Material Stewardship in EA and SEA, International Copper Association (ICA)
3. Bethany Perkins, Sustainable Development Analyst, International Copper Association (ICA)
4. Carrie Claytor, Manager Value Chain Sustainability, Freeport-McMoRan
5. Alex Graf, Senior Consultant, Kumi Consulting
6. Nicole Hanson, Head of Responsible Business, London Metal Exchange (LME)
7. Tegan Hoddy, Director Responsible Sourcing, Alcoa
8. Yosuke Isoda, Assistant General Manager Sustainability Dept, Mitsubishi Materials Corporation
9. Sei Nakai, Assistant General Manager Sustainability Dept, Mitsubishi Material Corporation
10. Pierre De Pasquale, Standards Director, The Initiative for Responsible Mining Assurance (IRMA)

11. Jessica Sanderson, Director of Sustainability and ESG, Copper Development Association (CDA)
12. Ilse Schoeters, Director Product Stewardship Nickel & Cobalt, Glencore
13. Kilian Schwaiger, Managing Director, Association of German Metal Traders and Recyclers (VDM)
14. Svetlana Yelchaninova, Director Commercial Sustainability, Alcoa
15. Mike Smith, Vice President, IWCC (ROW Copper Fabricator Association)
16. Dave Knight, RRRM Facilitator, One Planet (NFWG Co-lead)
17. Umut Cantoru, RRRM Secretariat, New Horizons
18. Mark Prins, RRRM Secretariat, Freelance Sustainability Consultant